

THE WORKFAITH CONNECTION
FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

HARPER | PEARSON

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The WorkFaith Connection
Houston, Texas

Opinion

We have audited the accompanying financial statements of The WorkFaith Connection (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The WorkFaith Connection as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The WorkFaith Connection and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The WorkFaith Connection's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The WorkFaith Connection's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The WorkFaith Connection's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in red ink that reads "Harper & Pearson Company, P.C." The signature is written in a cursive, flowing style.

HARPER & PEARSON COMPANY, P.C.

Houston, Texas
July 24, 2025

THE WORKFAITH CONNECTION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,289,848	\$ 1,461,036
Contribution receivables	520,994	-
Prepaid expenses	12,067	29,861
Operating lease right-to-use asset	841,229	947,075
Finance lease right-to-use asset	10,008	21,427
Contributed facilities usage rights	176,000	44,000
Property and equipment, net	11,024	17,456
TOTAL ASSETS	\$ 2,861,170	\$ 2,520,855
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 48,998	\$ 59,564
Compensation liability	127,687	122,895
Operating lease liabilities	841,229	947,075
Finance lease liabilities	10,317	21,733
TOTAL LIABILITIES	1,028,231	1,151,267
NET ASSETS		
Without Donor Restrictions	975,820	925,908
With Donor Restrictions	857,119	443,680
TOTAL NET ASSETS	1,832,939	1,369,588
TOTAL LIABILITIES AND NET ASSETS	\$ 2,861,170	\$ 2,520,855

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Other Revenues						
Contributions	\$ 2,204,216	\$ 1,182,469	\$ 3,386,685	\$ 2,190,611	\$ 71,500	\$ 2,262,111
Contributions - In-kind	-	198,000	198,000	-	-	-
Other income	48,174	-	48,174	6,726	-	6,726
Net assets released from restrictions	<u>967,030</u>	<u>(967,030)</u>	<u>-</u>	<u>602,084</u>	<u>(602,084)</u>	<u>-</u>
Total Support and Other Revenues	<u>3,219,420</u>	<u>413,439</u>	<u>3,632,859</u>	<u>2,799,421</u>	<u>(530,584)</u>	<u>2,268,837</u>
Expenses						
Program	2,487,957	-	2,487,957	2,753,355	-	2,753,355
Fundraising	289,317	-	289,317	301,697	-	301,697
General and administrative	<u>392,234</u>	<u>-</u>	<u>392,234</u>	<u>466,143</u>	<u>-</u>	<u>466,143</u>
Total Expenses	<u>3,169,508</u>	<u>-</u>	<u>3,169,508</u>	<u>3,521,195</u>	<u>-</u>	<u>3,521,195</u>
Change in Net Assets	49,912	413,439	463,351	(721,774)	(530,584)	(1,252,358)
Net Assets, Beginning of Year	<u>925,908</u>	<u>443,680</u>	<u>1,369,588</u>	<u>1,647,682</u>	<u>974,264</u>	<u>2,621,946</u>
Net Assets, End of Year	<u>\$ 975,820</u>	<u>\$ 857,119</u>	<u>\$ 1,832,939</u>	<u>\$ 925,908</u>	<u>\$ 443,680</u>	<u>\$ 1,369,588</u>

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024				2023			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
Advertising and marketing	\$ 30,964	\$ 3,150	\$ -	\$ 34,114	\$ 58,964	\$ 10,600	\$ -	\$ 69,564
Content	19,500	-	-	19,500	-	-	-	-
Depreciation and amortization	19,092	2,138	1,911	23,141	22,348	2,503	2,238	27,089
Fees and miscellaneous	-	2,374	17,772	20,146	-	3,061	19,408	22,469
Graduate support	3,960	-	-	3,960	6,306	-	-	6,306
Insurance	7,908	886	792	9,586	7,580	849	759	9,188
Interest	-	-	392	392	-	-	568	568
Meetings and events	102,531	3,544	4,672	110,747	108,218	12,024	13,360	133,602
Occupancy	168,897	19,658	17,587	206,142	171,184	19,173	17,139	207,496
Printing and postage	3,331	-	915	4,246	20,484	2,294	2,051	24,829
Professional and contract services	224,427	48,000	154,236	426,663	186,410	40,000	173,311	399,721
Professional development	-	-	6,003	6,003	8,582	954	1,059	10,595
Salaries and related expenses	1,805,188	198,508	167,491	2,171,187	2,046,049	197,210	221,861	2,465,120
Software and electronic equipment	75,034	8,658	12,506	96,198	75,670	8,408	9,342	93,420
Supplies and materials	6,812	763	682	8,257	3,599	403	360	4,362
Telephone and utilities	14,744	1,638	1,820	18,202	22,476	2,497	2,775	27,748
Travel	5,569	-	5,455	11,024	15,485	1,721	1,912	19,118
Total	<u>\$ 2,487,957</u>	<u>\$ 289,317</u>	<u>\$ 392,234</u>	<u>\$ 3,169,508</u>	<u>\$ 2,753,355</u>	<u>\$ 301,697</u>	<u>\$ 466,143</u>	<u>\$ 3,521,195</u>

See accompanying notes.

THE WORKFAITH CONNECTION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 463,351	\$ (1,252,358)
Adjustments to reconcile change in net assets to net cash used by operations:		
Depreciation and amortization	23,141	27,089
Change in operating assets and liabilities:		
Contribution receivables	(520,994)	320,000
Other receivables	-	2,966
Contributed facilities usage rights	(132,000)	66,000
Prepaid expenses	17,794	(10,940)
Accounts payable and accrued expenses	(10,566)	(10,845)
Compensation liability	4,792	39,689
Total adjustments	(617,833)	433,959
Net cash used by operating activities	(154,482)	(818,399)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(5,290)	(1,190)
Net cash used by investing activities	(5,290)	(1,190)
CASH FLOW FROM FINANCING ACTIVITIES:		
Principal paid on finance leases	(11,416)	(11,240)
Net cash used by financing activities	(11,416)	(11,240)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(171,188)	(830,829)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,461,036	2,291,865
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,289,848	\$ 1,461,036
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Cash paid for interest	\$ 392	\$ 568

See accompanying notes.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - The WorkFaith Connection (WorkFaith) was organized on February 14, 2006 as a Texas not-for-profit corporation for the purpose of assisting individuals with faith-based training and coaching to obtain and keep long-term employment. WorkFaith's training and coaching model includes on-demand, virtual, and live options to accommodate all situational barriers and deliver effective training to anyone needing assistance.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk - Financial instruments which subject WorkFaith to concentrations of credit risk consist principally of cash and pledges and other receivables. WorkFaith places its cash with high credit quality financial institutions. Deposits with financial institutions at year-end and various times during the year exceeded the amount of federal deposit insurance provided on such deposits (none at December 31, 2024); however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. In monitoring this credit risk, WorkFaith periodically evaluates the stability of the financial institutions.

No collateral or other security is required to support pledges and other receivables. An allowance for doubtful accounts is established as needed based upon factors surrounding the credit risk of specific donors and debtors, historical trends and other information. Management estimates that all receivables are collectible, thus no allowance for uncollectible amounts has been recorded. For the years ended December 31, 2024 and 2023, one and two donors accounted for 27% and 26% of contributions, respectively. For the year ended December 31, 2024, one donor accounted for 100% of contributions receivable.

Cash and Cash Equivalents - Cash and cash equivalents generally consist of demand deposits.

Contribution Receivables - Contribution receivables that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted, if material, to estimate the present value of future cash flows. Estimated discounts at December 31, 2024 and 2023 were considered immaterial.

Property and Equipment - Property and equipment are stated at cost when purchased or estimated fair market value at the date of donation. Additions equal to or greater than \$1,000 are capitalized and depreciated using the straight-line method over the following estimated useful lives of the assets.

Electronic equipment	3 - 7 years
Furniture and fixtures	5 - 7 years
Leasehold improvements	Life of the lease
Software	3 - 5 years
Vehicles	3 - 5 years

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Maintenance and repairs are expensed as incurred. When property and equipment is retired or otherwise disposed of, the cost thereof and the applicable accumulated depreciation is removed from the respective accounts and the resulting gain or loss is reflected in earnings.

Net Assets - Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions.

Net Assets With Donor Restrictions - Include contributions restricted by the donor for specific purposes or time periods.

Net Assets Without Donor Restrictions - Include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation. Currently there are no such stipulations on any of the net assets without donor restrictions.

Contributions - Contributions are recorded when received or upon an unconditional promise to give from the donor. All contributions are considered to be available for unrestricted use unless restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions and an increase to the respective net asset class.

In-Kind Contributions - Contributions of non-cash assets such as furniture, office space, and equipment are recorded at fair value in the period received and are generally utilized in programmatic activities. Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The entire \$198,000 of in-kind contributions for the year ended December 31, 2024 relates to a three-year renewal of contributed office space as further disclosed in Note F.

In addition, WorkFaith uses non-professional volunteers to administer many areas of the job-readiness program. While these volunteer hours do not qualify to be recorded as in-kind contributions per GAAP, they are significant in that they reduce program related salary costs that would otherwise be required were the volunteers not available.

Advertising and Marketing Expense - Advertising and marketing costs are expensed as incurred.

Income Taxes - WorkFaith is a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, WorkFaith is subject to taxes on unrelated business income. There was no unrelated business income during 2024 and 2023.

WorkFaith believes that all significant tax positions utilized by WorkFaith will more likely than not be sustained upon examination. As of December 31, 2024, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2021 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be included in general and administrative expenses in the statements of activities.

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses - Where possible, expenses are directly charged to the appropriate category. Indirect charges are allocated using the following methods:

Salaries and related benefits, software and electronic equipment, telephone and utilities, professional and contract services (computer network support), graduate support (miscellaneous expenses), travel, meetings and events, professional development are allocated based on the percentage of direct employees serving each function.

Occupancy, depreciation, insurance, supplies and materials, printing and postage, marketing (printing) are allocated based on square footage.

Interest is related to finance leases and is allocated to management and general.

Leases - WorkFaith determines if an arrangement is a lease at inception. Long-term operating leases are included in right-of-use (ROU) assets and lease liabilities.

ROU assets represent WorkFaith's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. WorkFaith uses the implicit rate when readily determinable. As most of WorkFaith's leases do not provide an implicit rate, an incremental borrowing rate is used in determining the present value of lease payments based on the information available at the commencement date. The incremental borrowing rate reflects the estimated rate of interest that would be paid to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. WorkFaith elected the practical expedient to utilize a risk free interest rate (the US Treasury rate) as the incremental borrowing rate.

The ROU asset also includes any lease payments made and excludes lease incentives received. WorkFaith's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense is recognized on a straight-line basis over the lease term.

Subsequent Events - WorkFaith has evaluated subsequent events through July 24, 2025, the date the financial statements were available to be issued. No subsequent events occurred which require adjustment or disclosure to the financial statements at December 31, 2024.

NOTE B LIQUIDITY

WorkFaith manages its cash flows through the adherence to an annual operating budget, which is reviewed monthly through detailed budget-to-actual comparisons and variance analysis. WorkFaith conducts comprehensive financial monitoring each month, including liquidity assessments, trend analysis, key financial ratio analysis, and revenue pipeline tracking. Sensitivity analysis is also used to assess the potential impact of changes in revenue or expenses. Cash balances are monitored daily. WorkFaith generally relies on contributions from donors to fund its on-going operations. WorkFaith also actively manages its expenses and makes expense reductions based on projected income.

THE WORKFAITH CONNECTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE B LIQUIDITY (CONTINUED)

As of December 31, 2024 and 2023, WorkFaith has available the following assets to meet cash needs for the next fiscal year:

	2024	2023
Cash	\$ 1,289,848	\$ 1,461,036
Contribution receivables	520,994	-
Less net assets with purpose restrictions	(681,119)	(399,680)
Assets available	\$ 1,129,723	\$ 1,061,356

NOTE C CONTRIBUTION RECEIVABLES

The table below sets forth contribution receivables at December 31:

	2024	2023
Receivable in one year or less	\$ 414,744	\$ -
Receivable in one to five years	106,250	-
	\$ 520,994	\$ -

NOTE D PROPERTY AND EQUIPMENT

Property and equipment cost and accumulated depreciation at December 31 are as follows:

	2024	2023
Electronic equipment	\$ 50,190	\$ 44,899
Furniture and fixtures	157,487	157,487
Leasehold improvements	22,669	22,669
Software	101,755	101,755
	332,101	326,810
Less accumulated depreciation	(321,077)	(309,354)
	\$ 11,024	\$ 17,456

Depreciation expense amounted to \$11,723 and \$15,669 during the years ended December 31, 2024 and 2023, respectively.

THE WORKFAITH CONNECTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE E NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include contributions restricted by the donor for specific purposes or time periods and are comprised of the following:

	<u>2024</u>	<u>2023</u>
Purpose Restricted:		
Technology and training	\$ -	\$ 11,848
Regional financial stability	537,231	-
Expansion project	-	178,936
Spanish translation	-	36,540
Program budget	90,748	-
Digital access	-	50,000
Professional development	25,000	-
WorkFaith now on-demand	6,487	81,461
Other	<u>21,653</u>	<u>40,895</u>
Total Purpose Restricted	<u>681,119</u>	<u>399,680</u>
Time Restricted:		
Future periods	<u>176,000</u>	<u>44,000</u>
Total Net Assets With Donor Restrictions	<u>\$ 857,119</u>	<u>\$ 443,680</u>

In 2024 and 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows:

	<u>2024</u>	<u>2023</u>
Purpose Restricted:		
Technology and training	\$ 11,848	\$ 69,060
Regional financial stability	291,737	-
Fund raising support	-	50,196
Expansion project	303,936	282,879
Spanish translation	36,540	97,736
Job readiness	56,000	-
Program budget	9,252	-
Digital Access	50,000	-
WorkFaith now on-demand	99,974	18,359
Other	<u>41,743</u>	<u>17,854</u>
Total Purpose Restricted	<u>901,030</u>	<u>536,084</u>
Time Restricted:		
Future periods	<u>66,000</u>	<u>66,000</u>
Total Net Assets Released from Restriction	<u>\$ 967,030</u>	<u>\$ 602,084</u>

THE WORKFAITH CONNECTION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE F IN-KIND CONTRIBUTIONS/EXPENSES

Contributions of Facilities Usage - WorkFaith operates a location in the Cornerstone Community on Reed Road, Houston, Texas. This space is provided free through 2027 by the Star of Hope Mission (SOH). WorkFaith determined the fair value of the lease to be \$5,500 per month based on the costs they would pay for similar property and recorded a time restricted contribution for the life of the lease and the related right to use asset. The amortization of the facilities usage rights, amounting to \$66,000 annually, is recorded as rent expense and released from net assets with donor restrictions.

NOTE G LEASES

WorkFaith leases office space and equipment under leases that expire through May 2032. WorkFaith receives donated office space and is committed to paying utilities through August 2027 on the facilities (see Note F). Net operating lease expense, including in-kind lease expense and related utilities, for the years ended December 31, 2024 and 2023 amounted to \$201,836 and \$202,374, respectively.

Future minimum payments by year at December 31, 2024 are as follows:

	Finance Leases	Operating Leases
2025	\$ 5,688	\$ 120,495
2026	2,628	120,495
2027	2,409	120,495
2028	-	120,495
2029	-	120,495
Thereafter	-	291,197
Total minimum lease payments	10,725	893,672
Less: Imputed interest	(408)	(52,443)
Present value of lease liabilities	<u>\$ 10,317</u>	<u>\$ 841,229</u>
Weighted-average discount rate		
Operating leases		1.63%
Finance leases		2.88%
Weighted-average remaining lease term (years)		
Operating leases		7.42
Finance leases		2.15

NOTE H RETIREMENT PLAN

Effective January 1, 2007, WorkFaith established a 401(k) plan for all eligible employees. All employees who are at least age 21 and have 1 year of service are eligible to participate. The plan is a defined contribution plan and the investments are selected by the participants. WorkFaith matches 100% of the first 6% of an eligible member's pre-tax contribution. Employer and employee contributions vest immediately. For the years ended December 31, 2024 and 2023, WorkFaith contributions to the plan amounted to \$32,359 and \$27,453, respectively.

NOTE I COMMITMENTS

In June 2023, WorkFaith entered into an agreement for software development and equipment maintenance for a thirty-six month period to be paid monthly. As of December 31, 2024, \$54,090 is committed through the end of the agreement.